



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
FORMER DAVIESS COUNTY
SHERIFF'S SETTLEMENT - 1998 TAXES,
SHERIFF'S SETTLEMENT - 1997 UNMINED COAL TAXES,
SHERIFF'S SETTLEMENT - 1998 LIMESTONE,
SAND, AND GRAVEL RESERVE TAXES**

**EDWARD B. HATCHETT, JR.
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Edward B. Hatchett, Jr. Auditor of Public Accounts

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Sarah Jane Schaaf, Secretary, Revenue Cabinet
Honorable Reid Haire, County Judge/Executive
Honorable Keith Cain, Daviess County Sheriff
Honorable John Bouvier, Former Daviess County Sheriff
Members of the Daviess County Fiscal Court

Independent Auditor's Report

We have audited the former Daviess County Sheriff's Settlement - 1998 Taxes, Sheriff's Settlement - 1997 Unmined Coal Taxes, and the Sheriff's Settlement - 1998 Limestone, Sand, and Gravel Reserve Taxes as of March 10, 1999. These tax settlements are the responsibility of the former Daviess County Sheriff. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The former Sheriff prepared his financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the former Daviess County Sheriff's taxes charged, credited, and paid as of March 10, 1999, in conformity with the basis of accounting described in the preceding paragraph.

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Sarah Jane Schaaf, Secretary, Revenue Cabinet

Honorable Reid Haire, County Judge/Executive

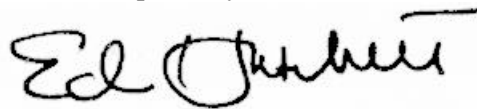
Honorable Keith Cain, Daviess County Sheriff

Honorable John Bouvier, Former Daviess County Sheriff

Members of the Daviess County Fiscal Court

In accordance with Government Auditing Standards, we have also issued a report dated June 21, 1999, on our consideration of the former Sheriff's compliance with certain laws and regulations and internal control over financial reporting.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett". The signature is fluid and cursive, with a horizontal line extending from the end.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
June 21, 1999

DAVIESS COUNTY
JOHN BOUVIER, FORMER SHERIFF
SHERIFF'S SETTLEMENT - 1998 TAXES

March 10, 1999

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 3,319,310	\$ 1,862,361	\$ 8,695,581	\$ 3,876,751
Tangible Personal Property	512,066	237,377	1,085,947	1,211,995
Intangible Personal Property				690,284
Bank Shares	260,839			
Franchise Corporation	250,741	117,002	253,849	
Enterprise Zone		21,692		20,085
Aircraft	12,741	5,991		1,137
Street Lighting		23,686		
Increased Through Erroneous Assessments	1,215	679	9,909	24,305
Additional Billings:				
Bankshares	5,743			24,024
Undeveloped Oil and Gas	4	3	16	5
Penalties	5,113	2,565	10,784	
Adjusted to Sheriff's Receipt	<u>(255)</u>	<u>(25)</u>	<u>(278)</u>	<u>(398)</u>
Gross Chargeable to Sheriff	<u>\$ 4,367,518</u>	<u>\$ 2,271,331</u>	<u>\$ 10,055,808</u>	<u>\$ 5,848,188</u>
<u>Credits</u>				
Discounts	\$ 68,223	\$ 35,239	\$ 161,026	\$ 98,033
Exonerations	100,103	49,351	87,335	46,559
Unpaid and Partially Paid Tax Bills:				
Real Estate	437,374	250,510	1,100,970	510,826
Tangible Personal Property	51,620	24,410	107,023	82,490
Intangible Personal Property				43,544
Uncollected Franchise	<u>670</u>	<u>300</u>	<u>1,665</u>	
Total Credits	<u>\$ 657,990</u>	<u>\$ 359,810</u>	<u>\$ 1,458,019</u>	<u>\$ 781,452</u>
Net Tax Yield	\$ 3,709,527	\$ 1,911,521	\$ 8,597,789	\$ 5,066,736
Less: Commissions *	<u>157,942</u>	<u>81,240</u>	<u>128,967</u>	<u>215,624</u>
Net Taxes Due	\$ 3,551,585	\$ 1,830,281	\$ 8,468,822	\$ 4,851,112
Taxes Paid	3,550,351	1,829,588	8,466,030	4,849,666
Refunds (Current and Prior Year)	<u>1,234</u>	<u>693</u>	<u>2,792</u>	<u>1,446</u>
Due Districts as of Completion of Fieldwork	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

* See Page 4

DAVIESS COUNTY
JOHN BOUVIER, FORMER SHERIFF
SHERIFF'S SETTLEMENT - 1998 TAXES
March 10, 1999
(Continued)

* Commissions:

10% on	\$	10,000
4.25% on	\$	10,677,784
1.5% on	\$	8,597,789

The accompanying notes are an integral part of the financial statements.

DAVIESS COUNTY
JOHN BOUVIER, FORMER SHERIFF
SHERIFF'S SETTLEMENT - 1997 UNMINED COAL TAXES

March 10, 1999

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Sheriff's Official Receipt for				
Unmined Coal	\$ 1,203	\$ 679	\$ 4,407	\$ 1,441
1995 Additional Unmined Coal	77	42	283	99
1994 Additional Unmined Coal	76	18	248	101
	<u>1,356</u>	<u>739</u>	<u>4,938</u>	<u>1,641</u>
Gross Chargeable to Sheriff	\$ 1,356	\$ 739	\$ 4,938	\$ 1,641
<u>Credits</u>				
Discounts	\$ 12	\$ 7	\$ 43	\$ 14
Delinquents	14	8	53	17
	<u>26</u>	<u>15</u>	<u>96</u>	<u>31</u>
Total Credits	\$ 26	\$ 15	\$ 96	\$ 31
Net Tax Yield	\$ 1,330	\$ 724	\$ 4,842	\$ 1,610
Less: Commissions *	57	30	72	68
	<u>1,273</u>	<u>694</u>	<u>4,770</u>	<u>1,542</u>
Net Taxes Due	\$ 1,273	\$ 694	\$ 4,770	\$ 1,542
Taxes Paid	1,273	694	4,770	1,542
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Due Districts	\$ 0	\$ 0	\$ 0	\$ 0
as of Completion of Fieldwork	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

* Commissions:

4.25% on \$ 3,664

1.5% on \$ 4,842

The accompanying notes are an integral part of the financial statements.

DAVIESS COUNTY
JOHN BOUVIER, FORMER SHERIFF
SHERIFF'S SETTLEMENT – 1998 LIMESTONE, SAND, AND GRAVEL RESERVE TAXES

March 10, 1999

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Sheriff's Official Receipt for Limestone, Sand, and Gravel Reserve Taxes	\$ 109	\$ 62	\$ 396	\$ 128
<u>Credits</u>				
Discounts	\$ 2	\$ 1	\$ 8	\$ 2
Delinquents	4	2	15	5
Total Credits	\$ 6	\$ 3	\$ 23	\$ 7
Net Tax Yield	\$ 103	\$ 59	\$ 373	\$ 121
Less: Commissions *	4	3	6	5
Net Taxes Due	\$ 99	\$ 56	\$ 367	\$ 116
Taxes Paid	99	56	367	116
Due Districts as of Completion of Fieldwork	\$ 0	\$ 0	\$ 0	\$ 0

* Commissions:

4.25% on	\$	283
1.5% on	\$	373

The accompanying notes are an integral part of the financial statements.

DAVIESS COUNTY
NOTES TO THE FINANCIAL STATEMENTS

March 10, 1999

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The former Sheriff maintained deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge sufficient securities as collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge of securities should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. This agreement, signed by both parties, must be sufficient to create an enforceable and perfected security interest in the collateral under Kentucky law. The former Sheriff met the requirements stated above, and as of March 10, 1999, deposits were fully insured or collateralized at a 100% level with securities held by the county official's agent in the county official's name.

DAVIESS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
March 10, 1999
(Continued)

Note 4. Property Taxes

The real and personal property tax assessments were levied as of January 1, 1998. Property taxes were billed to finance governmental services for the year ended June 30, 1999. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 22, 1998 through December 31, 1998.

1997 Unmined Coal Taxes

The tangible property tax assessments were levied as of January 1, 1997. Property taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 30, 1998 through December 31, 1998.

1998 Limestone, Sand, and Gravel Reserve Taxes

The tangible property tax assessments were levied as of January 1, 1998. Property taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 30, 1998 through December 31, 1998.

Note 5. Interest Income

The former Daviess County Sheriff earned \$83,478 as interest income on 1998 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder was used to operate the former Sheriff's office.

Note 5. Unrefundable Duplicate Payments And Unexplained Receipts Should Be Escrowed

The former Sheriff should deposit any unrefundable duplicate payments and unexplained receipts in an interest-bearing account. According to KRS 393.110, the Sheriff's office should properly report annually to the Treasury Department any unclaimed moneys. After seven years, if the funds have not been claimed, the funds should be submitted to the Kentucky State Treasurer. The former Sheriff had \$8,052 in unrefundable duplicate payments and unexplained receipts for 1997 tax collections. In addition, the former Sheriff had \$5,867 in unrefundable duplicate payments and unexplained receipts for 1998 tax collections. The former Sheriff has deposited these funds through the fee account into the 75% Operating Fund and the 25% County Fund with the Finance and Administrative Cabinet. Therefore, the Sheriff should take a credit on his next pay-in voucher for these funds, in order to deposit them in an interest bearing account and send a written report to the Treasury Department.

REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Honorable Reid Haire, County Judge/Executive
Honorable Keith Cain, Daviess County Sheriff
Honorable John Bouvier, Former Daviess County Sheriff
Members of the Daviess County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the former Daviess County Sheriff's Settlement - 1998 Taxes, Sheriff's Settlement - 1997 Unmined Coal Taxes, and the Sheriff's Settlement - 1998 Limestone, Sand, and Gravel Reserve Taxes as of March 10, 1999. We have issued our report thereon dated June 21, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the former Daviess County Sheriff's Settlement - 1998 Taxes, Sheriff's Settlement - 1997 Unmined Coal Taxes, and the Sheriff's Settlement - 1998 Limestone, Sand, and Gravel Reserve Taxes as of March 10, 1999, financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

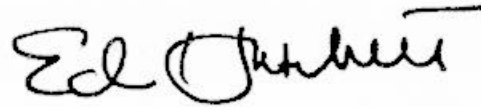
Internal Control Over Financial Reporting

In planning and performing our audit, we considered the former Daviess County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Honorable Reid Haire, County Judge/Executive
Honorable Keith Cain, Daviess County Sheriff
Honorable John Bouvier, Former Daviess County Sheriff
Members of the Daviess County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended for the information of management. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
June 21, 1999

